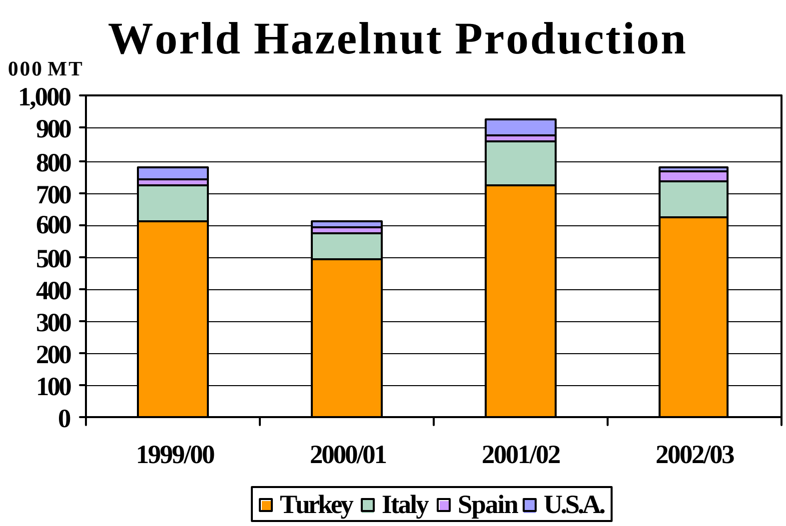
Hazelnut Situation and Outlook in Selected Countries

Production of hazelnuts in 4 major producing countries in 2002/03 is forecast at 779,330 tons, down 16 percent from 2001/02. The decrease was attributed mainly to a 14-percent decrease in Turkey's output as well as decreases in Italy (down 15 percent) and the United States (down 64 percent). Production of hazelnuts in the United States is expected to reach 16,330 tons, down 64 percent in 2002/03. As a result, U.S. hazelnut grower prices are expected to increase substantially from the previous year. Exports of hazelnuts from selected countries are forecast at 518,320 tons, down 12 percent from 2001/02, while domestic consumption is expected to reach 377,450 tons, up 4 percent from the previous year. U.S. hazelnut exports are forecast 11,320 tons, down 18 percent from last year, due to a much smaller crop. Future world production and supplies will be strongly influenced by the outcome of Turkey's implementation of reforms mandated by the International Monetary Fund's (IMF) to gradually phase out its hazelnut support price.

GLOBAL PRODUCTION & TRADE

World production of hazelnuts is expected to reach 779,330 tons in 2002/03, down 16 percent from the previous year. Turkey produces approximately 70 percent of all commercial hazelnuts worldwide and is responsible for almost 80 percent of world exports. Italy is the world's second-largest producer and exporter of hazelnuts. World exports are forecast in 518,320 tons in 2002/03, down approximately 70,000 tons from 2001/02.

The top four producers in 2002/03 are Turkey (625,000 tons), Italy (110,000 tons), Spain (28,000 tons) and the United States (16,330 tons).



Source: USDA Attaché Reports

GLOBAL POLICY

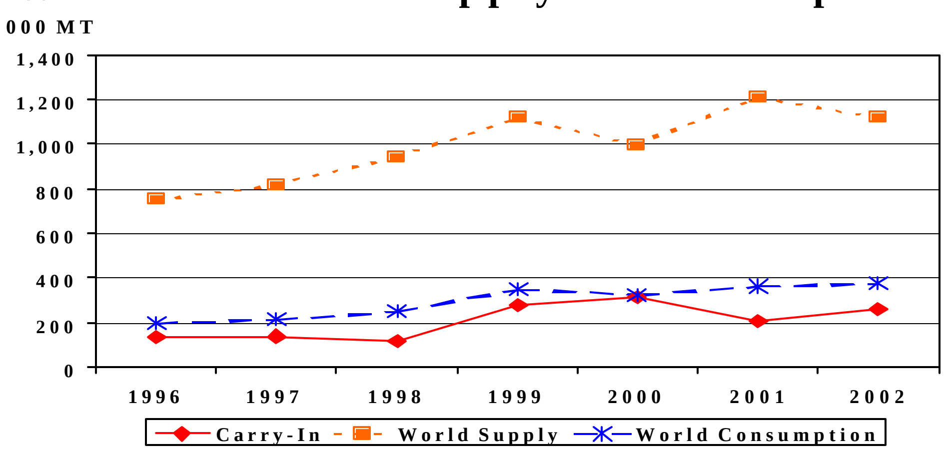
Turkey

In 1999, the Turkish government reorganized the activities of State Economic Enterprises (SEE), including the Union of Hazelnut Sales Cooperatives (FISKOBIRLIK) by giving them autonomy and separating their procurement and processing functions. FISKOBIRLIK, which has 59 member cooperatives, is the most influential policy-making organization in the industry. In the past, the Government of Turkey appointed FISKOBIRLIK's General Director and board members. Now, however, FISKOBIRLIK's 216,000 members elect these officers. FISKOBIRLIK has historically served as a conduit for Turkey's government policy decisions. As a result of historically high support prices, hazelnut area and production expanded significantly, causing overproduction, large stocks, and depressed prices. However, in an effort to reduce inflation and in accordance to IMF commitments, the Turkish government may cease this program. FISKOBIRLIK has requested TL 300 trillion from the government in order to procure about 150,000 tons of hazelnuts at a price around TL 2,000,000 per kilogram (in shell). However, the government has not yet provided any funding. As a result, FISKOBIRLIK has not yet announced procurement prices for MarketingYear 2002. Turkey will hold early elections in November, which may prompt the government to provide funding. Producers are very concerned with the uncertain market situation. According to producers, this has been a particularly difficult year because of the uncertainty surrounding support prices and prices traders will be willing to pay.

Europe

The EU has a fruit and vegetable (F&V) regime in place that is based on producer organizations (POs), which are formed voluntarily by groups of growers and cooperatives. Only the larger POs that are able to set-up operational funds are eligible to receive EU support. The Mid Term Review (MTR) of the Common Agricultural Policy (CAP), as currently proposed by the EU Commission, includes a new support scheme for tree nuts to replace the temporary tree nut improvement 10-year program, which ended in June 2002. This program calls for a specific aid of 150 euros per metric ton, to be requested by the recognized producers' associations submitting a quality improvement program.

World Hazelnut Supply & Consumption



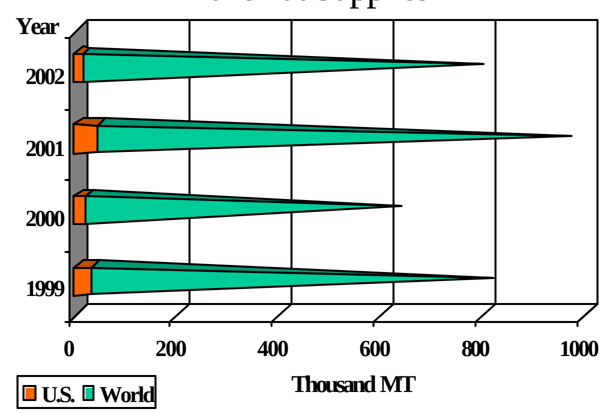
Source: USDA, Attaché Reports

UNITED STATES

Production

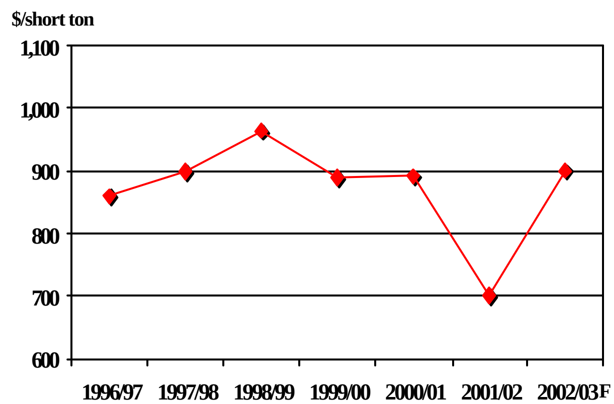
Oregon's hazelnut production in 2002/03 is forecast at 16,330 tons according to the Oregon Agricultural Statistics Service (OASS), which would be 64 percent below last year's revised record crop estimate, and 19 percent less than the 2000 production. Oregon's forecast production will be the lowest since the 1998 crop. Consequently, U.S. hazelnut grower prices are expected to rise substantially from the previous year. With an alternate-year bearing cycle, hazelnut production is projected to greatly decrease from last season's record-high crop. Mild weather since January has been favorable for crop development. Growers began harvest in mid-September. Eastern Filbert Blight continues to limit potential production in infected orchards. There was an average of 445 nuts picked per sample this year from the OASS Hazelnut Objective Yield Survey, compared with 1,148 in 2001, and 354 in 2000. The percentage of good nuts found in the OASS laboratory (84.4 percent) was down from 85.7 percent in 2001 and 84.8 percent in 2000.

U.S. Contribution to World Hazelnut Supplies



Source: USDA, Attaché Reports

Grower Prices of U.S. Hazelnuts Decreased 21% in 2001/02

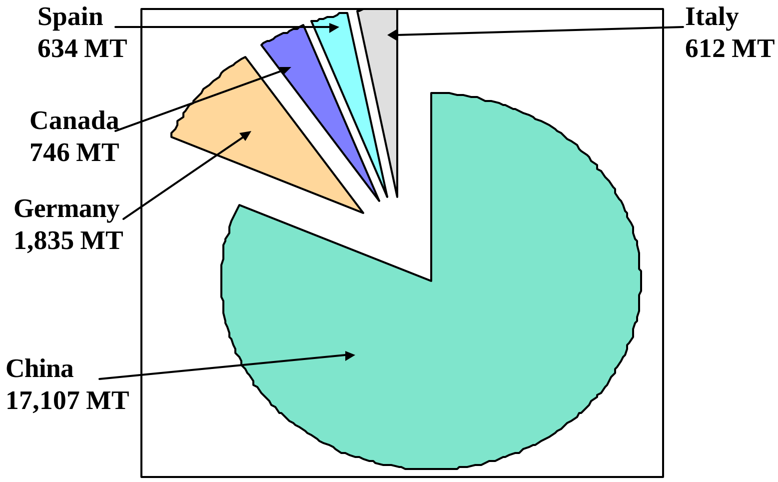


Source: USDA, NASS

Trade

In 2002/03, U.S. hazelnut exports are forecast at 11,320 tons, down 61 percent from the previous year. A decrease in U.S. hazelnut production and higher hazelnut prices are expected to hamper exports. In 2001/02, in-shell hazelnuts accounted for approximately 95 percent of total U.S. hazelnut exports. Major buyers of U.S. in-shell hazelnuts were Asia (primarily China and Korea) accounting for 75 percent, and the EU (primarily Germany, Spain, and Italy) accounting for 16 percent. Northern Africa is the most significant importer of U.S. shelled hazelnuts, purchasing 37 percent of total exports in 2001/02.

Top 5 Markets for U.S. Hazelnuts



Source: U.S. Department of Commerce: Census Bureau
Marketing Year 2001/02

TURKEY

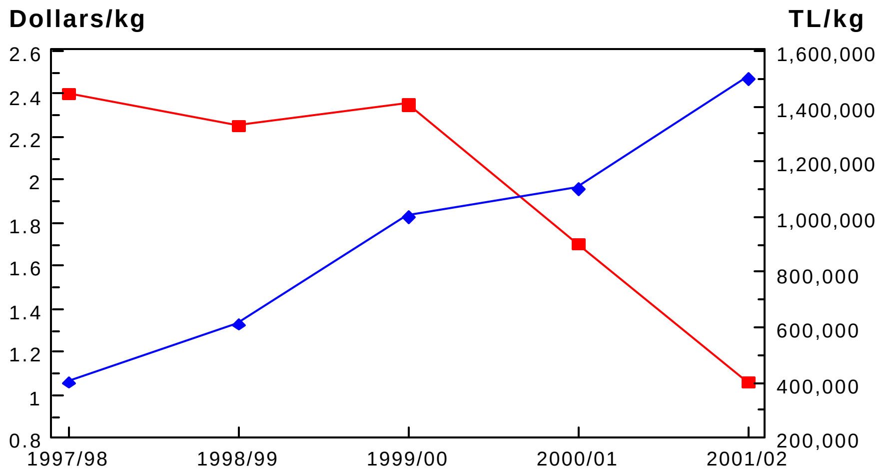
Production

Turkey is the world's leading producer of hazelnuts, accounting for about 70 percent of world supply. Hazelnut production is mainly concentrated along Turkey's Black Sea coast, extending about 25 kilometers inland. The region is divided into three distinct growing areas: (1) the hilly region east of Ordu to Trabzon, centered around Giresun, producing 60 percent of the crop, (2) the flatter, mixed-farming region west of Ordu to Samsun, producing 15 percent, and (3) the area west of Samsun, producing the remaining 25 percent. Hazelnuts require relatively little effort to cultivate and therefore inputs and labor costs are low. Harvesting, which occurs for several weeks in August, constitutes the bulk of the work required.

Hazelnut production is the single most important economic enterprise in the Black Sea region. The total number of growers, estimated at about 400,000, is difficult to determine since almost everyone grows at least some hazelnuts for their own consumption. In addition, early-season crop production and area forecasts are much debated, due to the lack of a systematic crop-survey system. Best estimates put total area at about 540,000 hectares. Growers generally have very small plots. Most eastern producers have an orchard size of only 1-2.5 hectares, using hazelnut sales proceeds to supplement other income. Only a few relatively large growers (10 tons or more annually) depend on hazelnut production for the bulk of their incomes. On the other hand, most central and western farmers have 10-15 hectare orchards. Because of the importance of the crop to such a large number of people, hazelnut production policy has important political implications in Turkey.

In the past, the Turkish government has supported prices for hazelnut production by providing funds to FISKOBIRLIK. However, in an effort to reduce inflation and in accordance to IMF commitments, the government may cease this program. FISKOBIRLIK has requested TL 300 trillion from the Turkish government in order to procure about 150,000 tons of hazelnuts at a price around TL 2,000,000 per kilogram (in shell).

FISKOBIRLIK'S Procurement Price



Source: USDA/FAS Attache Reports

At the request of the hazelnut industry, the Turkish Technical and Scientific Research Organization (TUBITAK) carried out long-term research on aflatoxin, a major industry concern. One development has been the setting of harvest dates for all producers in order to avoid problems with aflatoxin. The harvest started on August 5 in the lower valleys, on August 12 in the middle-producing areas, and on August 19 on the high-producing areas.

Consumption

Processors and/or traders are the first purchasers of hazelnuts. While there are about 350 processors/traders in Turkey, the five-largest processors account for an estimated 40 percent of production. For the most part, the industry is not vertically integrated; only a few firms participate at the various processing stages. For example, there are approximately 170 hazelnut crackers in Turkey, with a total capacity of 1,250,000 tons (in shell). Around 20 hazelnut processors have a total capacity of 300,000 tons (shelled).

Hazelnuts continue to be a popular snack food in Turkey with the majority consumed as whole nuts. With the depreciation of the TL against the U.S. dollar and other foreign currencies over the last couple years, there was a decline (in real terms) in retail prices for hazelnuts, encouraging consumption. In addition to increased domestic consumption as a snack food, consumption of processed hazelnuts for confectionary items is gradually increasing. Production of a wide range of hazelnut products also increased. However, the recent economic slowdown adversely affected consumption. About 70,000 tons (in shell) hazelnuts are consumed domestically as snack foods and confectionary products. Consumption estimates also include the quantities crushed for oil. The current retail price for shelled roasted hazelnuts in Ankara is about TL 10,000,000 (about $6.00) per kilogram, unchanged from last year. This is significantly lower than the annual rate of inflation (around 60 percent). The rate of depreciation against the dollar in the same period was about 15 percent.

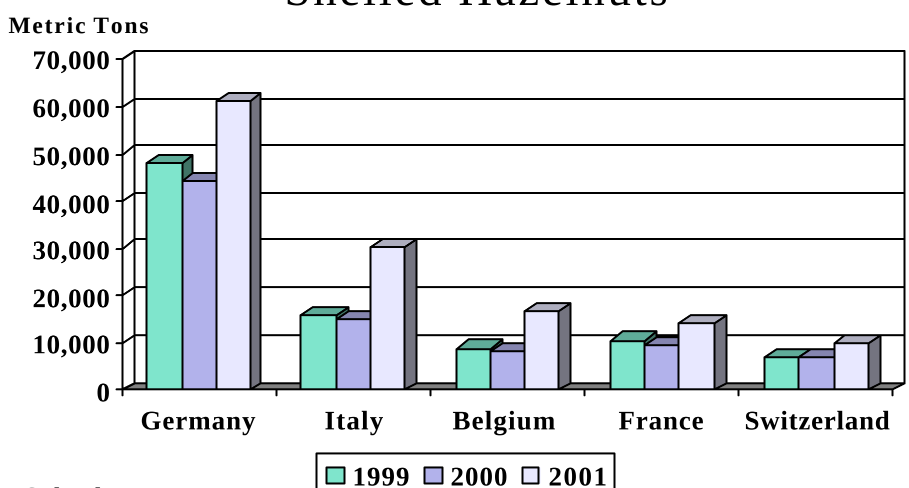
Trade

Turkey accounts for about eighty percent of world hazelnut trade. Indicative export prices in mid August were around $210 per 100 kilograms (bagged, FOB Black Sea) compared to $350 a year ago. Export prices dropped in the beginning of MY 2001 to $225 after FISKOBIRLIK announced procurement prices, which were lower than the market price at that time, and even dropped to $200 later in the marketing year when FISKOBIRLIK announced that it would end the procurement.

The EU is the major market for Turkish hazelnuts. In the past, most shipments were by sea on an FOB basis. Today, shipping by trucks on a CIF basis is becoming increasingly popular. Although some sales are made directly to end users, most are done through traders. Because of the abundance of the production, little advance contracting is done at present. The government inspects and certifies exports.

About seventy percent of Turkey's hazelnut exports consist of raw kernels, while the remaining thirty percent are processed kernels, including roasted, sliced, chopped, paste, meal, and flour. Very few hazelnuts are exported as finished consumer confectionary items. The trend, however, is to move from raw kernel exports to processed and finished products to capture the increased value added. One constraint to increasing exports of hazelnut confectionary items is the relatively low quality of Turkish chocolates (primary base for hazelnut products) compared to European chocolates. In addition to shifting the export product mix, Turkey is hoping to expand its market presence, mainly in the Far East, former Soviet Union and the United States. Industry representatives in Turkey closely monitor the hazelnut and almond industry in the United States.

Top 5 Export Market for Turkish Shelled Hazelnuts



Calendar years
Source: Official Turkish Data

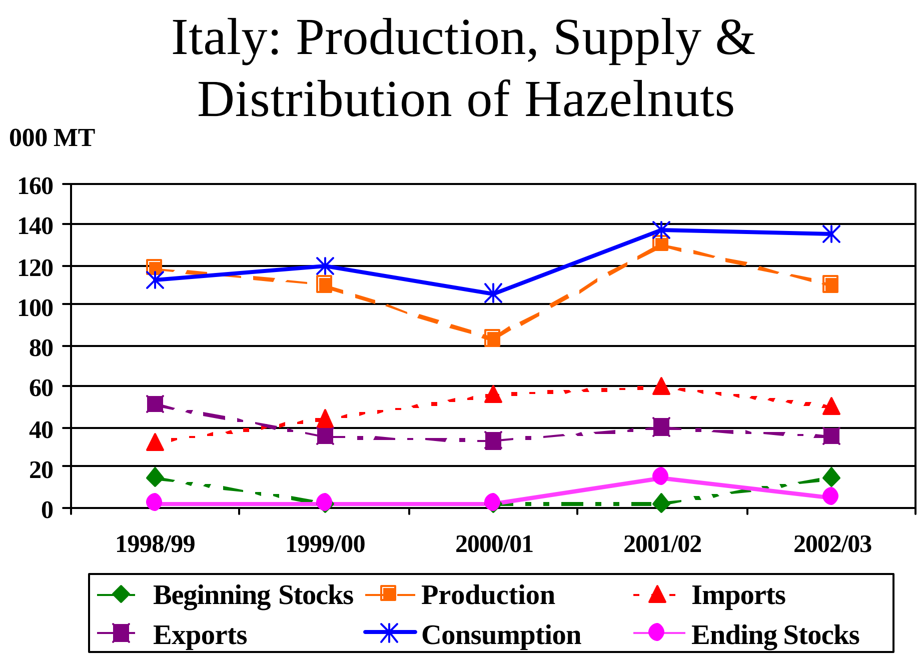
ITALY

Production

Domestic hazelnut production in 2002/03 is forecast at 110,000 tons (in-shell basis), or 15 percent lower than last year, mainly as a result of the cyclical crop fluctuation. Weather conditions have been generally favorable to the crop development, due in particular to the prolonged, unusual rains during most of July and the first part of August. This was particularly true in both Campania and Latium, where almost two thirds of the Italian hazelnut orchards are located. Domestic hazelnut production consists of long varieties such as Lunga San Giovanni (sold mainly in-shell at premium prices), and round varieties, such as Gentile, Giffoni and Romana, chiefly processed by the confectionary industry. Competition from Turkey remains the key factor, affecting both the domestic and export markets. Domestic hazelnut prices in 2001/02 averaged some 18 percent less than in the previous year. Prices are the lowest since 1996, and no recovery is anticipated in the near future, given the situation prevailing in Turkey (large production and low prices).

Consumption

Hazelnuts are mainly utilized by the domestic confectionary industry, being the main ingredient in many chocolate products. Domestic consumption recovered substantially in 2001/02 after the drop reported in 2000/01, in line with larger domestic and Turkish supplies, and is expected to remain on the high side during the 2002/03 marketing year, as well.



Source: USDA, Attaché Reports

Trade

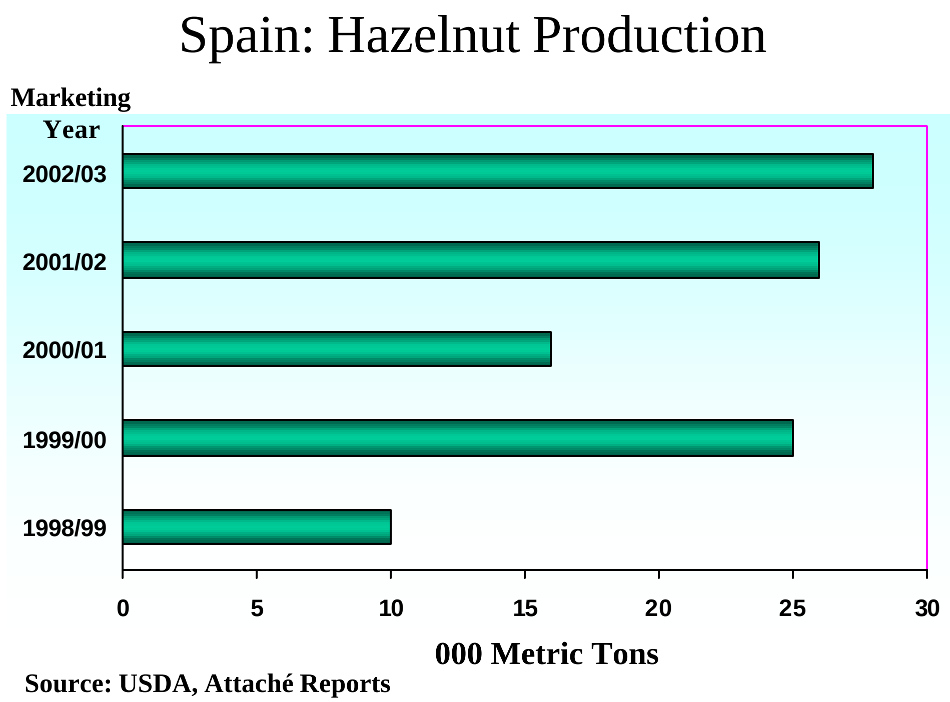
Despite the large domestic supplies, imports from Turkey of shelled hazelnuts keep growing, while exports into the main European outlet markets are dramatically affected by the strong competition of the Turkish hazelnuts. As a result, during the most recent years (1999/2000, 2000/01 and 2001/02) Italy has been a net importer of hazelnuts. This is not likely to change in the near future. The main outlet for Italy's hazelnuts remained EU countries (chiefly Germany) and Switzerland.

Imports of shelled hazelnuts, mainly from Turkey, during September 2001-March 2002 rose by 35 percent from the same period of 2000/2001, as a result of the cheap price policy adopted by Turkey. The EU ad valorem tariff rate is 3.2 percent for both in-shell and shelled hazelnuts. EU export restitutions for shipments to third countries are presently set at 53 euros per metric ton for in-shell hazelnuts and 103 euros per metric ton for shelled hazelnuts.

SPAIN

Production

The hazelnut harvest in MY 2001/02 (September-August) is expected to reach 28,000 tons, in-shell basis, 2,000 tons more than in the preceding year. About 60 percent of Spain's hazelnut orchard area is under irrigation. Catalonia is the leading hazelnut producing region, accounting for approximately 93 percent of the total area planted. Within this autonomous region, the province of Tarragona accounts for 88 percent of the total, with the rest in the provinces of Gerona and Barcelona. Negreta is the principal variety of hazelnut grown in Spain, comprising nearly 80 percent of total production.



Although the average producer price for the in-shell Negreta variety in 2001 was 1.25 euros per kilogram, practically unchanged from year-earlier levels, it has declined dramatically since the beginning of the current MY 2001/02 as a result of the large domestic harvest and increased Turkish hazelnut shipments to Europe. Current hazelnut prices (July 2002) have declined to 2.25 euros per kilogram (kg), shelled Negreta basis, from 3.67 euros/kg from the same month of a year earlier. This represents a nearly 40-percent decline, placing the Spanish hazelnut industry in a critical situation.

Consumption

As is the case of almonds, hazelnut consumption is expected to grow in the current MY 2001/02, commensurate with the size of the crop. The confectionary and chocolate industries use about 60-70 percent of domestic supplies. Hazelnuts are also used for snacks and are often marketed in snack packs.

Trade

Spanish hazelnut imports in MY 2001/02 (September-August) are running well above last year's pace. Thus, during the period September 2001-March 2002 (first seven months of the marketing year), imports increased 49 percent to 9,622 tons from the comparable period of a year earlier. For the entire 2001/02 marketing year, they are projected at 12,000 tons, 3,000 tons more than in the preceding year. Turkey is by far the major supplier (with a 65 percent import market share in MY 2000/01). U.S. hazelnut exports to Spain decreased to 446 tons in 2000/01 from the previous year's 647 tons.

Spain's hazelnut exports during the first seven months of the current MY 2001/02 were down 55 percent to 3,987 tons, in-shell basis, from the comparable period a year earlier. However, for the entire 2001/02 marketing year, exports are projected at 9,000 tons, some 3,000 tons less than in the previous year.

The FAS Attaché Report search engine contains reports on Tree Nut Competition or Market Intelligence for 16 countries including Italy, Spain and Turkey. For more information on production and trade, contact Erik Hansen at 202-720-0875. For information on marketing, contact Ingrid Mohn at 202-720-5330. Also please visit the tree nuts web page at: http://www.fas.usda.gov/htp/horticulture/nuts.html for further information.

Hazelnuts: Production, Supply and Distribution in Selected Countries

Country Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply	Exports	Domestic Consumption	Ending Stocks
			Metric tons, in-shell basis				
Italy							
1999/2000	2,000	110,000	44,000	156,000	35,000	119,000	2,000
2000/2001	2,000	83,000	56,000	141,000	33,000	106,000	2,000
2001/2002	2,000	130,000	60,000	192,000	40,000	137,000	15,000
2002/2003	15,000	110,000	50,000	175,000	35,000	135,000	5,000
2003/2004 F	5,000	130,000	50,000	185,000	35,000	135,000	15,000
Spain							
1999/2000	0	25,000	9,700	34,700	14,000	17,200	3,500
2000/2001	3,500	16,000	11,000	30,500	12,000	17,000	1,500
2001/2002	1,500	26,000	12,000	39,500	9,000	20,000	10,500
2002/2003	10,500	28,000	10,000	48,500	12,000	21,000	15,500
2003/2004 F	15,500	20,000	11,000	46,500	12,000	21,000	13,500
Turkey							
1999/2000	275,000	610,000	3	885,003	397,613	187,390	300,000
2000/2001	300,000	490,000	0	790,000	406,343	183,657	200,000
2001/2002	200,000	725,000	3,000	928,000	510,000	183,000	235,000
2002/2003	235,000	625,000	3,000	863,000	460,000	203,000	200,000
2003/2004 F	200,000	625,000	3,000	828,000	450,000	203,000	175,000
United States 2/ 3/							
1999/2000	103	34,500	6,260	40,863	13,093	23,667	4,103
2000/2001	4,103	22,680	9,885	36,668	15,999	18,669	2,000
2001/2002	2,000	44,816	5,411	52,227	28,750	22,477	1,000
2002/2003	1,000	16,330	12,550	29,880	11,320	18,450	110
2003/2004 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1999/2000	277,103	779,500	59,963	1,116,566	459,706	347,257	309,603
2000/2001	309,603	611,680	76,885	998,168	467,342	325,326	205,500
2001/2002	205,500	925,816	80,411	1,211,727	587,750	362,477	261,500
2002/2003	261,500	779,330	75,550	1,116,380	518,320	377,450	220,610
2003/2004 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing years: United States - July to June; Spain, Italy & Turkey – Sept.-Aug.
2/ U.S. domestic shelling ratios for U.S. exports and imports from the California Walnut Commission.
3/ U.S. production forecast for 2002/03 by NASS.
Sources: USDA's Foreign Agricultural Service Attaché
Reports, Bureau of Census and USDA/NASS

U.S. Exports of Hazelnuts to the World

Destination	1997/98	1998/99	1999/00	2000/01	2001/02	Rank in 2001/02
	metric tons, shelled, in-shell total					
Hong Kong	3,210	1,272	4,185	7,091	16,294	**1**
Germany	5,445	2,520	1,263	1,879	1,788	**2**
China; Peoples Republic of	719	404	642	244	1,318	**3**
Canada	1,280	910	807	970	675	**4**
Spain	574	510	529	592	634	**5**
Israel	919	199	443	463	634	**6**
Italy	2,517	166	357	322	600	**7**
Egypt	407	297	427	194	423	**8**
Venezuela	196	309	451	425	369	**9**
Mexico	529	373	388	449	364	**10**
United Kingdom	936	701	441	293	273	11
Brazil	672	326	410	249	272	12
France	263	69	84	95	133	13
Greece	0	20	54	15	43	14
Argentina	138	31	0	0	40	15
Other Countries	1,394	526	657	576	175	
Grand Total (MT)	**19,198**	**8,632**	**11,137**	**13,859**	**24,033**	

U.S. Imports of Hazelnuts from the World

Destination	1997/98	1998/99	1999/00	2000/01	2001/02	Rank in 2001/02
	metric tons: shelled & in-shell total					
Turkey	3,839	5,203	5,356	4,791	6,630	**1**
Canada	342	282	347	326	347	**2**
New Zealand	0	20	0	0	40	**3**
Italy	0	22	10	62	28	**4**
Bolivia	0	31	0	0	16	**5**
China; Peoples Republic of	0	2	0	0	1	**6**
India	0	0	0	1	1	**7**
Moldova; Republic of	0	0	0	0	1	**8**
Azerbaijan; Republic of	0	29	74	0	0	**9**
Germany	0	0	0	0	0	**10**
Netherlands	0	0	60	0	0	11
Peru	0	0	0	0	0	12
Spain	0	0	0	0	0	13
Ukraine	0	0	0	0	0	14
United Kingdom	0	0	0	0	0	15
Grand Total in MT	**4,181**	**5,590**	**5,847**	**5,180**	**7,063**	

1/ Marketing years, August-July

Note: All data from Department of Commerce - Bureau of the Census